



Allen Anderson, President & CEO

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December 12, 2016

Ms. Talina R. Mathews, Ph.D.
Executive Director
Public Service Commission
PO Box 615
211 Sower Boulevard
Frankfort, KY 40602

Dear Ms. Mathews:

RE: PSC Case No. 2016-00335

Please find enclosed an original and seven copies of the response to the Public Service Commission Staff's Second Data Request for Information in the above-referenced case dated November 30, 2016.

Please let me know if additional information is needed.

Respectfully,

A handwritten signature in cursive script that reads 'Allen Anderson'.

Allen Anderson
President & CEO

AA:jcg

Enclosures

RECEIVED

DEC 14 2016

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

**AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIROMENTAL)
SURCHARGE MECHANISM OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR THE SIX)
MONTH BILLING PERIODS ENDING)
JUNE 30, 2016 AND THE PASS THROUGH)
MECHANISM FOR ITS SIXTEEN MEMBER)
DISTRIBUTION COOPERATIVES)**

**CASE NO.
2016-00335**

CERTIFICATE

STATE OF KENTUCKY

COUNTY OF PULASKI

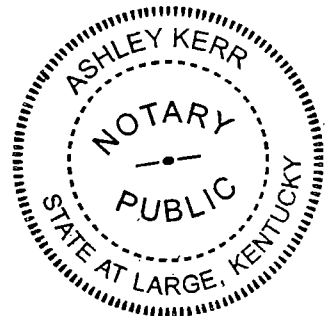
Michelle D. Herrman, being duly sworn, states that she has supervised the preparation of the Responses of South Kentucky RECC to the Public Service Commission Staff's Second Data Request for Information contained in the above-referenced case dated November 30, 2016, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Michelle D. Herrman

Subscribed and sworn before me on the 13th day of December, 2016.

Ashley Kerr
Notary Public

My commission expires 8/31/19.



SOUTH KENTUCKY RURAL ELLECTRIC COOPERATIVE
PSC CASE NO. 2016-00335
ENVIRONMENTAL SURCHARGE MECHANISM
RESPONSE TO COMMISSION STAFF'S SECOND REQUEST
FOR INFORMATION DATED NOVEMBER 30, 2016

Request 3

This item is addressed to each of the 16 Member Cooperatives.

- a. Provide the accounting methodology (i.e., cash or accrual) utilized by your particular Cooperative.
- b. Explain whether the accounting methodology utilized by your particular Member Cooperative could exacerbate the possible impact to cash flow and margins caused by volatility in the environmental surcharge.

Response

- a. Accrual
- b. The accrual accounting method minimizes the impact on margins because it allows for a journal entry to ensure the pass-through nature of the mechanism is reflected on the accounting records. The accounting methodology does not impact cash flow.

SOUTH KENTUCKY RURAL ELLECTRIC COOPERATIVE
PSC CASE NO. 2016-00335
ENVIRONMENTAL SURCHARGE MECHANISM
RESPONSE TO COMMISSION STAFF'S SECOND REQUEST
FOR INFORMATION DATED NOVEMBER 30, 2016

Request 4

This item is addressed to each of the 16 Member Cooperatives. For your particular Member Cooperative, provide the following information as it relates to the environmental surcharge calculated for EKPC's December 2015 expense month, as billed to the Member Cooperatives in February 2016 for January 2016 usage:

- a. The month in which the Member Cooperative records the amount billed in February 2016 as an expense;
- b. The month in which the retail customer's usage will be subject to the Member Cooperative's pass-through factor calculated from EKPC's December 2015 expense month;
- c. The month in which the Member Cooperative bills its retail customers the pass-through factor calculated from EKPC's December 2015 expense month;
- d. The month in which the Member Cooperative records as revenue the amounts billed in the month indicated in part c. above.

Response

- a. January 2016
- b. We bill our members monthly using 20 different billing cycles. We would start using the EKPC's December 2015 expense month rate for bills to our members generated in February 2016. However, the usage days may cross calendar months. In this case, the usage days may encompass both January 2016 and February 2016 usage days.
- c. February 2016
- d. February 2016